

CITY OF ZILWAUKEE
SAGINAW COUNTY
STATE OF MICHIGAN

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2008

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Quast, Janke and Company, P.C.

Certified Public Accountants

1010 N. JOHNSON STREET
BAY CITY, MICHIGAN 48708
Phone: (989) 892-4549
Fax: (989) 892-4030

Timothy J. Quast, C.P.A.
Mark G. Janke, C.P.A.
Ned E. Kleinke, C.P.A.
David G. Gwizdala, C.P.A.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

INDEPENDENT AUDITOR'S REPORT

October 24, 2008

To the City Council
The City of Zilwaukee
Saginaw County
Zilwaukee, Michigan

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component unit, and major funds as of and for the year ended June 30, 2008 which collectively comprise the City of Zilwaukee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business-type activities, the discretely presented component unit, and each major fund as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, on our consideration of the City of Zilwaukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The individual fund statements and schedules described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

QUAST, JANKE AND COMPANY

A handwritten signature in cursive script that reads "Quast, Janke and Company". The signature is written in dark ink and is positioned above a horizontal line.

Certified Public Accountants, P.C.

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

This section of the City of Zilwaukee's annual Financial Report presents Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2008. The analysis focuses on the City's financial performance as a whole. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Zilwaukee exceeded liabilities at June 30, 2008, by \$5,966,911. Of this amount \$930,157 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$479,677 during the year. Of this amount the assets of our governmental activities increased \$382,781 and the assets of our business-type activities decreased by \$96,896.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statement report the City's operations in more detail than the Government-Wide Statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.
- Other Supplementary Information provides detailed information about the General Fund.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets, Statement of Activities, and the Government-wide Statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is: Is the City as a whole better or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. The two statements report the City's net assets, which are the difference

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business-Type Activities** - These activities include the water, sanitary sewer systems and refuse collection. This activity is financed primarily by user charges.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The Fund Financial Statements provide detailed information about individual, significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues).

Governmental Funds

The Governmental Funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Major Street and Local Street. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Government Fund Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for Governmental Funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Proprietary Funds

Proprietary Funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Fund and the Business-Type Activities included in the Government-Wide Statement is the detail and additional information, such as Cash Flows, provided in the Proprietary Fund Statements. The Proprietary Funds include the Water Fund, Sewer Fund, and Refuse Fund, which are considered to be the major funds of the City. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The financial statements required for Proprietary Funds include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets and a Statement of Cash Flows.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2008 and 2007.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and other assets	\$ 1,081,300	\$ 991,898	\$ 667,181	\$ 531,741	\$ 1,748,481	\$ 1,523,639
Capital assts net of accumulated depreciation	<u>1,652,359</u>	<u>1,285,100</u>	<u>2,887,524</u>	<u>2,990,766</u>	<u>4,539,883</u>	<u>4,275,866</u>
Total Assets	2,733,659	2,276,998	3,554,705	3,522,507	6,288,364	5,799,505
LIABILITIES						
Current liabilities	88,637	14,757	119,107	115,815	207,744	130,572
Long-term liabilities	<u>0</u>	<u>0</u>	<u>113,709</u>	<u>181,699</u>	<u>113,709</u>	<u>181,699</u>
Total Liabilities	88,637	14,757	232,816	297,514	321,453	312,271
NET ASSETS						
Invested in capital assets						
Net of related debt	1,652,359	1,285,100	2,705,825	2,743,409	4,358,184	4,028,509
Restricted	548,669	528,568	0	0	548,669	528,568
Unrestricted	<u>443,994</u>	<u>448,573</u>	<u>616,064</u>	<u>481,584</u>	<u>1,060,058</u>	<u>930,157</u>
Total Net Assets	<u>\$2,645,022</u>	<u>\$ 2,262,241</u>	<u>\$3,321,889</u>	<u>\$ 3,224,993</u>	<u>\$5,966,911</u>	<u>\$ 5,487,234</u>

The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is \$1,060,058.

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The following analysis provides the changes in the net assets for the City's Governmental and Business-Type Activities:

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
REVENUES						
Charges for services	\$ 155,268	\$ 105,954	\$ 570,483	\$ 556,478	\$ 725,751	\$ 662,432
Operating grants & contributions	139,082	139,352	0	0	139,082	139,352
Capital grants & contributions	276,989	101,495	0	0	276,989	101,495
GENERAL REVENUES						
Property Taxes	421,007	397,014	49,565	48,309	470,572	445,323
State shared revenue	181,830	183,252	1,768	1,768	183,598	185,020
Unrestricted investment earnings	33,700	27,214	8,339	5,250	42,039	32,464
Miscellaneous	<u>31,680</u>	<u>48,930</u>	<u>0</u>	<u>0</u>	<u>31,680</u>	<u>48,930</u>
Total Revenues	1,239,556	1,003,211	630,155	611,805	1,869,711	1,615,016
PROGRAM EXPENSES						
Community development	18,596	98	0	0	18,596	98
General government	213,317	233,654	0	0	213,317	233,654
Public safety	265,117	270,181	0	0	265,117	270,181
Public works	208,775	300,351	0	0	208,775	300,351
Streets	96,872	0	0	0	96,872	0
Recreation and cultural	54,097	57,729	0	0	54,097	57,729
Water	0	0	204,918	255,898	204,918	255,898
Sewer	0	0	240,560	323,195	240,560	323,195
Refuse	0	0	87,781	84,040	87,781	84,040
Total Expenses	<u>856,774</u>	<u>862,013</u>	<u>533,259</u>	<u>663,133</u>	<u>1,390,033</u>	<u>1,525,146</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 382,782</u>	<u>\$ 141,198</u>	<u>\$ 96,896</u>	<u>\$ (51,328)</u>	<u>\$ 479,678</u>	<u>\$ 89,870</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Zilwaukee completed its year, its Governmental Funds reported a total fund balance of \$992,663, which is more than the \$977,140 total fund balance at June 30, 2007.

- The General Fund, the operating fund for the City, ended fiscal year 2008 with a \$434,540 balance compared to the prior year ending fund balance of \$443,124.
- Major Street Fund Balance decreased by \$65,536.
- Local Street Fund Balance increased by \$51,993.

CITY OF ZILWAUKEE
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water and Sewer Fund, which accounts for the operation and maintenance of the City's water and sewer system, ended Fiscal Year 2008 with a \$3,321,889 net asset balance compared to prior year ending net asset balance of \$3,224,993.

- Sewer Fund net assets decreased by \$9,030.
- Water Fund net assets increased by \$103,189.
- Refuse Fund net assets increased by \$2,738.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2008, the City amended the budget four (4) times. The amendments were done to cover unbudgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$1,652,359 (net of accumulated depreciation) at June 30, 2008. Capital assets for Business-Type Activities totaled \$2,887,524 (net of accumulated depreciation) at June 30, 2008. See the Notes to the Financial Statements for more information about the City's capital assets.

The major capital outlays for the year included expenditure for the rail trail.

CITY OF ZILWAUKEE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Additional Borrowings</u>	<u>Beginning Balances</u>	<u>Principal Payments (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
BUSINESS – TYPE ACTIVITIES						
Revenue Bonds						
Saginaw County 1990						
Northwest Utilities						
Authority	5.5 - 8.5		77,357	(25,658)	51,699	27,990
Saginaw County 1991						
Water Supply						
Systems Bonds	6.0 - 10.0		<u>170,000</u>	<u>(40,000)</u>	<u>130,000</u>	<u>40,000</u>
Total Business-Type Activity			<u>\$ 247,357</u>	<u>\$ (65,658)</u>	<u>\$ 181,699</u>	<u>\$ 67,990</u>
COMPONENT UNIT						
General Obligation Bond						
Tax Increment Bonds	4.2		450,000	(75,000)	375,000	75,000
Loan Payable - 2001						
Strategic Loan	0.0		<u>332,393</u>	<u>(36,932)</u>	<u>295,461</u>	<u>36,932</u>
Total Component Unit			<u>\$ 782,393</u>	<u>\$ (111,932)</u>	<u>\$ 670,461</u>	<u>\$ 111,932</u>

Annual debt service requirements are detailed in the other supporting schedules.

ECONOMIC FACTORS

Our elected officials consider many factors when setting the City's 2008 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's economy.

The City's Council has tried to spend conservatively. Costs for health care, insurance and utilities continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact Administration at the City of Zilwaukee, 319 Tittabawassee, Saginaw, MI 48604 or call (989) 755-0931.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business - Type Units	Total	
ASSETS:				
Cash	\$ 964,694.67	\$ 488,996.42	\$ 1,453,691.09	\$ 218,076.63
Receivables	44,665.26	149,403.11	194,068.37	1,449.73
Receivable from State	81,830.13	0.00	81,830.13	0.00
Internal balances	(18,227.47)	18,227.47	0.00	0.00
Due from primary government	0.00	0.00	0.00	65,000.00
Inventory	0.00	0.00	0.00	199,936.25
Prepaid expenses	8,338.00	10,554.00	18,892.00	0.00
Capital assets:				
Land	52,715.25	5,204.00	57,919.25	184,064.62
Buildings and improvements	527,244.50	219,423.16	746,667.66	768,152.67
Equipment	136,213.25	30,037.24	166,250.49	33,394.67
Vehicles	679,415.65	0.00	679,415.65	0.00
Water and sewer systems	0.00	4,852,237.05	4,852,237.05	0.00
Infrastructure	844,223.77	0.00	844,223.77	0.00
Accumulated depreciation	(587,453.64)	(2,219,377.01)	(2,806,830.65)	(61,501.54)
Total Assets	2,733,659.37	3,554,705.44	6,288,364.81	1,408,573.03
LIABILITIES:				
Accounts payable	11,625.80	44,530.80	56,156.60	1,312.63
Accrued expenses	7,739.83	6,586.67	14,326.50	0.00
Deferred revenue	4,271.64		4,271.64	
Due to primary government	0.00	0.00	0.00	0.00
Due to component unit	65,000.00	0.00	65,000.00	0.00
Notes and bonds payable				
Amount due within one year	0.00	67,990.00	67,990.00	111,932.60
Amount due more than one year	0.00	113,709.00	113,709.00	558,528.20
Total Liabilities	88,637.27	232,816.47	321,453.74	671,773.43
NET ASSETS:				
Investment in capital assets net of related debt	1,652,358.78	2,705,825.44	4,358,184.22	628,649.62
Restricted major and local streets	435,306.79	0.00	435,306.79	0.00
Restricted for debt service	0.00	0.00	0.00	1,985.39
Restricted for fire equipment	113,362.55	0.00	113,362.55	0.00
Unrestricted	443,993.98	616,063.53	1,060,057.51	106,164.59
Total Net Assets	\$ 2,645,022.10	\$ 3,321,888.97	\$ 5,966,911.07	\$ 736,799.60

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	PRIMARY GOVERNMENT			
					Governmental Activities	Business-Type Activities	Total	Component Unit
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 213,317.32	\$ 132,686.03	\$ 0.00	\$ 0.00	\$ (80,631.29)	\$ 0.00	\$ (80,631.29)	\$ 0.00
Public Safety	265,117.22	10,789.98	2,186.48	0.00	(252,140.76)	0.00	(252,140.76)	0.00
Public Works	208,775.27	140.00	6,155.66	0.00	(202,479.61)	0.00	(202,479.61)	0.00
Streets and highways	96,872.13	5,004.94	130,267.65	276,988.76	315,389.22	0.00	315,389.22	0.00
Community and economic development	18,596.29	0.00	0.00	0.00	(18,596.29)	0.00	(18,596.29)	0.00
Recreation and Cultural	54,096.07	6,646.59	471.92	0.00	(46,977.56)	0.00	(46,977.56)	0.00
Total governmental activities	856,774.30	155,267.54	139,081.71	276,988.76	(285,436.29)	0.00	(285,436.29)	0.00
BUSINESS-TYPE ACTIVITIES								
Sewer	240,559.95	231,327.29	0.00	0.00	0.00	(9,232.66)	(9,232.66)	0.00
Water	204,918.35	249,091.76	0.00	0.00	0.00	44,173.41	44,173.41	0.00
Refuse	87,780.73	90,063.71	0.00	0.00	0.00	2,282.98	2,282.98	0.00
Total Business-Type Activities	533,259.03	570,482.76	0.00	0.00	0.00	37,223.73	37,223.73	0.00
Total Primary Government	\$ 1,390,033.33	\$ 725,750.30	\$ 139,081.71	\$ 276,988.76	(285,436.29)	37,223.73	(248,212.56)	0.00
COMPONENT UNIT:								
Tax increment finance authority	84,217.13	0.00	0.00	0.00				(84,217.13)
GENERAL PURPOSE REVENUES:								
Property taxes					421,006.79	49,565.04	470,571.83	352,196.55
State shared revenues					181,830.07	1,768.07	183,598.14	0.00
Rental income					6,680.00	0.00	6,680.00	0.00
Unrestricted Investment earnings					33,700.99	8,338.98	42,039.97	9,491.34
Transfers					25,000.00	0.00	25,000.00	(25,000.00)
Total General Purpose Revenues and Transfers					668,217.85	59,672.09	727,889.94	336,687.89
Change in Net Assets					382,781.56	96,895.82	479,677.38	252,470.76
Net Assets at beginning of year					2,262,240.54	3,224,993.15	5,487,233.69	484,328.84
Net Assets - End of Year					\$ 2,645,022.10	\$ 3,321,888.97	\$ 5,966,911.07	\$ 736,799.60

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2008

	GENERAL	MAJOR STREETS	LOCAL STREETS	NONMAJOR GOVERNEMENTAL	TOTAL
ASSETS:					
Cash	\$ 357,922.34	\$ 380,233.58	\$ 62,554.44	\$ 163,984.31	\$ 964,694.67
Other receivables	5,331.40	0.00	4,271.64	0.00	9,603.04
Taxes receivable	175.71	0.00	0.00	44.99	220.70
Advance to other funds	34,742.59	0.00	0.00	0.00	34,742.59
Prepaid expenses	8,338.00	0.00	0.00	0.00	8,338.00
Due from other Funds	2,336.08	154.98	0.00	0.00	2,491.06
Due from State	60,495.00	15,858.35	5,476.78	0.00	81,830.13
TOTAL ASSETS	\$ 469,341.12	\$ 396,246.91	\$ 72,302.86	\$ 164,029.30	\$ 1,101,920.19
LIABILITIES:					
Accounts payable	\$ 8,833.39	\$ 1,579.21	\$ 0.00	\$ 1,213.20	\$ 11,625.80
Deferred revenue	0.00	0.00	4,271.64	0.00	4,271.64
Advance from other funds	0.00	0.00	0.00	0.00	0.00
Accrued expenses	7,739.83	0.00	0.00	0.00	7,739.83
Due to other funds	18,227.47	25,000.00	2,392.13	40,000.00	85,619.60
TOTAL LIABILITIES	34,800.69	26,579.21	6,663.77	41,213.20	109,256.87
FUND BALANCES:					
Reserved	0.00	0.00	0.00	0.00	0.00
Unreserved, reported in:					
General Fund	434,540.43	0.00	0.00	0.00	434,540.43
Special Revenue Funds	0.00	369,667.70	65,639.09	122,816.10	558,122.89
Capital Projects Funds	0.00	0.00	0.00	0.00	0.00
Total Fund Balances	434,540.43	369,667.70	65,639.09	122,816.10	992,663.32
TOTAL LIABILITIES AND FUND BALANCES	\$ 469,341.12	\$ 396,246.91	\$ 72,302.86	\$ 164,029.30	\$ 1,101,920.19

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
June 30, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	992,663.32
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Amounts reported for governmental activities in the statement
of net assets are different because -

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the Governmental Funds
Balance Sheet:

Capital assets at cost		2,239,812.42
Accumulated depreciation		(587,453.64)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds		0.00
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u><u>2,645,022.10</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2008

	GENERAL	MAJOR STREETS	LOCAL STREETS	NONMAJOR GOVERNMENTAL	TOTAL
REVENUES:					
Property taxes	\$ 379,875.73	\$ 0.00	\$ 0.00	\$ 41,131.06	\$ 421,006.79
Licenses and permits	31,306.75	0.00	0.00	0.00	31,306.75
Federal grants	0.00	261,988.76	0.00	0.00	261,988.76
State grants	189,034.63	96,844.43	33,423.22	1,609.50	320,911.78
Contributions from other units	43,322.67	0.00	15,000.00	0.00	58,322.67
Charges for services	21,263.95	0.00	5,004.94	1,620.94	27,889.83
Fines and forfeits	4,598.47	0.00	0.00	0.00	4,598.47
Interest and rentals	55,123.15	14,099.03	326.65	6,338.07	75,886.90
Other revenue	10,124.27	0.00	0.00	2,519.64	12,643.91
Total Revenues	734,649.62	372,932.22	53,754.81	53,219.21	1,214,555.86
EXPENDITURES:					
General government	156,555.31	0.00	0.00	0.00	156,555.31
Public safety	172,894.96	0.00	0.00	8,697.57	181,592.53
Public works	171,522.20	33,643.09	47,740.24	0.00	252,905.53
Community and economic development	18,596.29	0.00	0.00	0.00	18,596.29
Cultural and recreation	33,728.21	0.00	0.00	7,273.37	41,001.58
Other	141,319.33	0.00	0.00	0.00	141,319.33
Capital outlay	45,223.16	368,902.80	14,944.00	2,992.35	432,062.31
Debt service - principal	0.00	0.00	0.00	0.00	0.00
Debt service - interest	0.00	0.00	0.00	0.00	0.00
Total Expenditures	739,839.46	402,545.89	62,684.24	18,963.29	1,224,032.88
EXCESS OF REVENUES OVER EXPENDITURES	(5,189.84)	(29,613.67)	(8,929.43)	34,255.92	(9,477.02)
OTHER FINANCING SOURCES (USES):					
Transfer from other funds	0.00	12,500.00	60,922.21	3,393.77	76,815.98
Transfer to other funds	(3,393.77)	(48,422.21)	0.00	0.00	(51,815.98)
Total Other Financing Sources (Uses)	(3,393.77)	(35,922.21)	60,922.21	3,393.77	25,000.00
NET CHANGE IN FUND BALANCES	(8,583.61)	(65,535.88)	51,992.78	37,649.69	15,522.98
FUND BALANCE - June 30, 2007	443,124.04	435,203.58	13,646.31	85,166.41	977,140.34
FUND BALANCE - June 30, 2008	\$ 434,540.43	\$ 369,667.70	\$ 65,639.09	\$ 122,816.10	\$ 992,663.32

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	15,522.98
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Amounts reported for governmental activities in the Statement
of Activities are different because -

Governmental Funds report capital outlays as expenditures
while in the statement of activities, these costs are allocated
over their estimated lives as depreciation expense.

Capital outlay	442,637.19
Less depreciation expense	(75,378.61)

Repayment of debt principal is an expenditure in the Governmental
Funds, the repayment does not have an effect in the Statement
of Activities but does reduce the debt balance in the Statement
of Net Assets.

Principal payments on long term debt	0.00
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u>382,781.56</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

PROPRIETARY FUND
STATEMENT OF NET ASSETS
June 30, 2008

		Business-type Activities			
		Major Enterprise Funds			
	ASSETS:	Sewer Fund	Water Fund	Refuse Fund	Total
Current Assets:					
Cash		\$ 41,322.78	\$ 355,796.23	\$ 91,877.41	\$ 488,996.42
Accounts receivable		60,527.65	62,147.63	24,727.83	147,403.11
Prepaid expense		0.00	0.00	10,554.00	10,554.00
Advance to other funds		0.00	2,000.00		2,000.00
Due from other funds		0.00	18,227.47		18,227.47
Total Current Assets		101,850.43	438,171.33	127,159.24	667,181.00
Noncurrent Assets:					
Capital Assets:					
Land and improvements		3,000.00	2,204.00	0.00	5,204.00
Buildings and Improvements		206,000.00	13,423.16	0.00	219,423.16
Equipment		9,887.67	20,149.57	0.00	30,037.24
Water and sewer systems		1,924,965.90	2,927,271.15	0.00	4,852,237.05
Accumulated depreciation		(914,459.91)	(1,304,917.10)	0.00	(2,219,377.01)
Construction in progress		0.00	0.00	0.00	0.00
Total Noncurrent Assets		1,229,393.66	1,658,130.78	0.00	2,887,524.44
Total Assets		1,331,244.09	2,096,302.11	127,159.24	3,554,705.44
	LIABILITIES:				
Current Liabilities					
Accounts payable		15,969.95	13,639.86	14,920.99	44,530.80
Due to other governmental units		0.00	0.00	0.00	0.00
Due to other funds		0.00	0.00	0.00	0.00
Accrued expenses		0.00	6,586.67	0.00	6,586.67
Current portion - Revenue bonds payable		27,990.00	40,000.00	0.00	67,990.00
Total Current Liabilities		43,959.95	60,226.53	14,920.99	119,107.47
Noncurrent Liabilities					
Revenue bonds payable		23,709.00	90,000.00	0.00	113,709.00
Total Noncurrent Liabilities		23,709.00	90,000.00	0.00	113,709.00
Total Liabilities		67,668.95	150,226.53	14,920.99	232,816.47
	NET ASSETS:				
Invested in capital assets net of related debt		1,177,694.66	1,528,130.78	0.00	2,705,825.44
Unrestricted		85,880.48	417,944.80	112,238.25	616,063.53
Total Net Assets		\$ 1,263,575.14	\$ 1,946,075.58	\$ 112,238.25	\$ 3,321,888.97

Reconciliation of Government Wide Statement of Net Assets:

Net assets of Business-Type Activities	\$ 3,321,888.97
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The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2008

	Business-type Activities			
	Major Enterprise Funds			
	Sewer Fund	Water Fund	Refuse Fund	Total
OPERATING REVENUES:				
Charges for Services				
Water charges	\$ 0.00	233,215.16	0.00	\$ 233,215.16
Sewer charges	231,327.29	0.00	0.00	231,327.29
Water hydrant rental	0.00	15,350.00	0.00	15,350.00
Refuse charges	0.00	0.00	89,925.71	89,925.71
Late payment fees	0.00	0.00	0.00	0.00
Miscellaneous	0.00	526.60	138.00	664.60
Total Operating Revenues	231,327.29	249,091.76	90,063.71	570,482.76
OPERATING EXPENSES:				
Salaries	24,292.11	33,106.93	0.00	57,399.04
Fringes and taxes	1,941.49	2,692.66	0.00	4,634.15
Water - Cost of goods sold	0.00	55,494.38	0.00	55,494.38
Sewage treatment	105,490.95	0.00	0.00	105,490.95
Contractual services	5,867.00	2,900.00	87,668.98	96,435.98
Supplies	842.55	634.33	0.00	1,476.88
Repairs and maintenance	8,568.49	2,709.54	0.00	11,278.03
Utilities	8,205.69	106.80	0.00	8,312.49
Insurance	0.00	0.00	0.00	0.00
Other	29,679.75	9,695.11	111.75	39,486.61
Depreciation	51,053.92	81,011.27	0.00	132,065.19
Total Operating Expenses	235,941.95	188,351.02	87,780.73	512,073.70
Operating Income	(4,614.66)	60,740.74	2,282.98	58,409.06
NONOPERATING REVENUES(EXPENSES)				
Property taxes	0.00	49,565.04	0.00	49,565.04
Interest Income	202.17	7,682.26	454.55	8,338.98
State shared revenue	0.00	1,768.07	0.00	1,768.07
Loss on sale of capital asset	0.00	0.00	0.00	0.00
Interest Expense	(4,618.00)	(16,567.33)	0.00	(21,185.33)
Total Nonoperating Expenses	(4,415.83)	42,448.04	454.55	38,486.76
Income before contributions and transfers	(9,030.49)	103,188.78	2,737.53	96,895.82
Capital contributions	0.00	0.00	0.00	0.00
Transfers in	0.00	0.00	0.00	0.00
Transfers out	0.00	0.00	0.00	0.00
Change in Net Assets	(9,030.49)	103,188.78	2,737.53	96,895.82
Net Assets Beginning of Year	1,272,605.63	1,842,886.80	109,500.72	3,224,993.15
Net Assets End of Year	\$ 1,263,575.14	1,946,075.58	112,238.25	3,321,888.97

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

	Business-type Activities			
	Major Enterprise Funds			
	Sewer Fund	Water Fund	Refuse Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 242,741.54	\$ 222,786.37	\$ 91,821.77	\$ 557,349.68
Other operating cash receipts	0.00	15,876.60	0.00	15,876.60
Cash payments to suppliers for goods and services	(155,415.15)	(86,079.93)	(80,153.55)	(321,648.63)
Cash payments to employees for services	(24,292.11)	(33,106.93)	0.00	(57,399.04)
Net cash provided (used) by operating activities	63,034.28	119,476.11	11,668.22	194,178.61
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	0.00	0.00	0.00	0.00
Other non operating income	0.00	51,333.11	0.00	51,333.11
Net cash provided (used) by noncapital financing activities	0.00	51,333.11	0.00	51,333.11
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(28,823.40)	0.00	0.00	(28,823.40)
Proceeds from sale of capital assets	0.00	0.00	0.00	0.00
Principal on County note	0.00	0.00	0.00	0.00
Interest paid on bonds	(4,618.00)	(16,567.33)	0.00	(21,185.33)
Principal payments on bonds	(25,658.00)	(40,000.00)	0.00	(65,658.00)
Contributed capital	0.00	0.00	0.00	0.00
Net cash provided (used) by capital and related financing activities	(59,099.40)	(56,567.33)	0.00	(115,666.73)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	202.17	7,682.26	454.55	8,338.98
Net increase (decrease) in cash	4,137.05	121,924.15	12,122.77	138,183.97
Cash beginning of year	37,185.73	233,872.08	79,754.64	350,812.45
Cash end of year	\$ 41,322.78	\$ 355,796.23	\$ 91,877.41	\$ 488,996.42
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Income (loss) from operations	\$ (4,614.66)	\$ 60,740.74	\$ 2,282.98	\$ 58,409.06
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	51,053.92	81,011.27	0.00	132,065.19
Amortization	0.00	0.00	0.00	0.00
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	11,414.25	(10,428.79)	1,758.06	2,743.52
Increase (decrease) in accounts payable	5,180.77	(16,450.44)	7,627.18	(3,642.49)
Increase (decrease) in accrued expenses	0.00	4,603.33	0.00	4,603.33
Net Cash Provided (Used) in Operating Activities	\$ 63,034.28	\$ 119,476.11	\$ 11,668.22	\$ 194,178.61

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT
 COMBINING BALANCE SHEET
 TAX INCREMENT FINANCE AUTHORITY
Year Ended June 30, 2008

	<u>Operations</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Assets:				
Cash	\$ 216,091.24	\$ 0.00	\$ 1,985.39	\$ 218,076.63
Taxes receivable	1,449.73	0.00	0.00	1,449.73
Inventory - land for sale	199,936.25	0.00	0.00	199,936.25
Due from primary gov	<u>65,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>65,000.00</u>
Total Assets	\$ <u>482,477.22</u>	\$ <u>0.00</u>	\$ <u>1,985.39</u>	\$ <u>484,462.61</u>
Liabilities				
Accounts payable	\$ 1,312.63	\$ 0.00	\$ 0.00	\$ 1,312.63
Accrued expenses	0.00	0.00	0.00	0.00
Due to other funds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Liabilities	1,312.63	0.00	0.00	1,312.63
Fund Balance				
Unreserved	481,164.59	0.00	0.00	481,164.59
Reserved for capital projects	0.00	0.00	0.00	0.00
Reserved for debt retirement	<u>0.00</u>	<u>0.00</u>	<u>1,985.39</u>	<u>1,985.39</u>
Total fund balances	<u>481,164.59</u>	<u>0.00</u>	<u>1,985.39</u>	<u>483,149.98</u>
Total Liabilities and Fund Balance	\$ <u>482,477.22</u>	\$ <u>0.00</u>	\$ <u>1,985.39</u>	\$ <u>484,462.61</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAKEE
Saginaw County, Michigan

COMPONENT UNIT
STATEMENT OF REVENUES EXPENSES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2008

	Operations	Capital Projects	Debt Service	Total
REVENUES:				
Property taxes	\$ 352,196.55	\$ 0.00	\$ 0.00	\$ 352,196.55
Interest and rentals	9,491.34	0.00	0.00	9,491.34
State grant	0.00	0.00	0.00	0.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	361,687.89	0.00	0.00	361,687.89
EXPENDITURES:				
Community and Economic Development				
Administrative fees	21,000.00	0.00	0.00	21,000.00
Salaries	4,446.49	0.00	0.00	4,446.49
Project activities	18,761.03	0.00	0.00	18,761.03
Other costs	11.48	0.00	0.00	11.48
Capital outlay	4,103.06	0.00	0.00	4,103.06
Debt service- principal	0.00	0.00	111,932.60	111,932.60
Interest	0.00	0.00	19,197.50	19,197.50
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	48,322.06	0.00	131,130.10	179,452.16
EXCESS REVENUES OVER EXPENDITURES	313,365.83	0.00	(131,130.10)	182,235.73
OTHER FINANCING SOURCES (USES)				
Transfer from operations	0.00	0.00	130,306.95	130,306.95
Transfer to capital projects	0.00	0.00	0.00	0.00
Transfer to debt service	(130,306.95)	0.00	0.00	(130,306.95)
Transfer to local street	(12,500.00)	0.00	0.00	(12,500.00)
Transfer to major street	(12,500.00)	0.00	0.00	(12,500.00)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Sources (Uses)	(155,306.95)	0.00	130,306.95	(25,000.00)
Excess (deficiency) of revenues over expenditures and other uses	158,058.88	0.00	(823.15)	157,235.73
FUND BALANCE - BEGINNING OF YEAR	323,105.71	0.00	2,808.54	325,914.25
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - END OF YEAR	\$ 481,164.59	\$ 0.00	\$ 1,985.39	\$ 483,149.98
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The accompanying notes are an integral part of the financial statements.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A: DESCRIPTION OF REPORTING ENTITY:

The City of Zilwaukee, which is located in Saginaw County, was incorporated January 1964 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government in which the City Administrator is responsible for implementation and administration of City policy as established by the City Council and provides services to its residents in many areas. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B: REPORTING ENTITY:

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City hold the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Zilwaukee has one component unit, the Tax Increment Financing Authority, which was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate a specific district within its corporate limits as a Tax Increment Finance Authority District. The Tax Increment Financing Authority is appointed to preside over this specific district, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization, and historic preservation within this area.

The members of the governing board of the Tax Increment Financing Authority are appointed by the City Council. The budgets and expenditures of the Tax Increment

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Financing Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Financing Authority.

Joint Ventures

The City is involved in a joint venture – the Northwest Utilities Authority. See Note 10, which discusses the City's involvement in this separate entity.

C: BASIS OF PRESENTATION:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

The Government-Wide financial statements (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of City. The effect of the interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

D: FUND FINANCIAL STATEMENTS:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the Fund Financial Statements; all non-major funds are aggregated and presented in a single column.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental Funds are those funds through with most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major Governmental Funds:

Major Government Funds

General Fund -

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Major Street Fund -

Major Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major roads within the City.

Local Street Fund -

Local Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major roads within the City.

Major Proprietary Funds

Water Fund -

Water Fund is used to account for the provision of water to the residents of the City. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

Sewer Fund -

Sewer Fund is used to account for the provisions of sewage disposal.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Refuse Fund -

Refuse Fund accounts for the activities of the City's refuse disposal.

Propriety Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. Operating expenses for the Propriety Funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports the following fund types:

Agency Funds -

Agency Fund is used to account for the assets for other governments in an agency capacity.

E: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-Wide Statements and Fund Financial Statements for Propriety Funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets and the Operating Statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and state shared governmental revenues. All other governmental fund revenues are recognized when received.

F: CAPITAL ASSETS:

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the entity-wide financial statements. The City defines capital assets as assets with an individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, land improvements and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 – 10 years
Vehicles	5 – 25 years
Furniture and other equipment	5 – 25 years
Distribution system	50 years

G: FUND EQUITY:

In the Fund Financial Statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H: PROPERTY TAXES:

Properties are assessed as of December 31; the related property taxes are billed on July 1 and become a lien on December 31 of the following year. These taxes are due without penalty during the period from July 1 through September 14 with a final collection date of February 14 before they are added to the county tax rolls. The 2008 taxable valuation of City properties totaled \$43,430,467. The taxes levied and the resulting revenue by fund and Component Unit was as follows:

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

	Millage Rate	Revenue Net of TIFA Capture
Operating Millage	9.5923	\$ 316,978
Fire Equipment Replacement	.9947	32,870
Swimming Pool	1.0000	33,045
Recreation	.2500	8,261
Water Debt	1.5000	<u>49,565</u>
Total Revenue	13.33700	<u>\$ 440,719</u>
Tax Increment Financing Authority Capture	N/A	<u>\$ 352,197</u>

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A: BUDGETARY INFORMATION:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The City Manager submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to June 1, the budget is legally enacted by adoption of the City Council.
- The City Manager is authorized to transfer certain budgeted amounts between departments within any fund. Any revisions that alter the total expenditure of any fund must be approved by the City Council. The legal level of the control is at the activity level.
- Formal budgetary integration is employed as a management control device during the year for all funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- All annual appropriations lapse at fiscal year end.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued):

B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS:

During the year, the City did not incur expenditures that were in excess of the amounts budgeted.

Fund Deficits - The City had no accumulated fund balance deficits.

C: STATE CONSTRUCTION CODE ACT:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity is as follows:

Current year building permit revenue		\$ 11,084
Related expenses		
Direct cost	10,747	
Estimated indirect costs	<u>3,310</u>	
Total construction code expenses		<u>14,057</u>
Excess of Expenditures over Revenues		<u>\$ 2,973</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 3. LONG-TERM DEBT:

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Additional Borrowings</u>	<u>Beginning Balances</u>	<u>Principal Payments (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
BUSINESS – TYPE ACTIVITIES						
Revenue bonds						
Saginaw County 1990						
Northwest Utilities						
Authority	5.5 - 8.5		77,357	(25,658)	51,699	27,990
Saginaw County 1991						
Water supply						
Systems bonds	6.0 - 10.0		<u>170,000</u>	<u>(40,000)</u>	<u>130,000</u>	<u>40,000</u>
Total Business-Type Activity			<u>\$ 247,357</u>	<u>\$ (65,658)</u>	<u>\$ 181,699</u>	<u>\$ 67,990</u>
COMPONENT UNIT						
General Obligation Bond						
Tax Increment Bonds	4.2		450,000	(75,000)	375,000	75,000
Loan payable – 2001						
Strategic Loan	0.0		<u>332,393</u>	<u>(36,932)</u>	<u>295,461</u>	<u>36,933</u>
Total Component Unit			<u>\$ 782,393</u>	<u>\$ (111,932)</u>	<u>\$ 670,461</u>	<u>\$ 111,933</u>

Annual debt service requirements are detailed in the other supporting schedules.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Balance <u>June</u> <u>30</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 34,461	\$ 18,254	\$ 0	\$ 52,715
Construction in progress	0			
Capital assets being depreciated				
Buildings and improvements	524,162	3,083	0	527,245
Furniture and equipment	788,750	26,879	0	815,629
Infrastructure	<u>449,803</u>	<u>394,421</u>	<u>0</u>	<u>844,224</u>
Subtotal	1,762,715	424,383	0	2,187,098
Less accumulated depreciation	<u>(512,075)</u>	<u>(75,379)</u>	<u>0</u>	<u>(587,454)</u>
Net capital assets being depreciated	<u>1,250,640</u>	<u>349,004</u>	<u>0</u>	<u>1,599,644</u>
Total Net Capital Assets	<u>\$1,285,101</u>	<u>\$ 367,258</u>	<u>\$ 0</u>	<u>\$ 1,652,359</u>
Business – Type Activities				
Capital assets not being depreciated				
Land	\$ 5,204	0	0	\$ 5,204
Construction in progress	0	0	0	0
Capital assets being depreciated				
Buildings and improvements	219,423	0	0	219,423
Water and sewer distribution systems	4,818,265	33,972	0	4,852,237
Furniture and equipment	<u>35,187</u>	<u>0</u>	<u>(5,150)</u>	<u>30,037</u>
Subtotal	5,072,875	33,972	(5,150)	5,101,697
Less accumulated depreciation	<u>(2,087,312)</u>	<u>(132,065)</u>	<u>0</u>	<u>(2,219,377)</u>
Net capital assets being depreciated	<u>2,985,563</u>	<u>(98,093)</u>	<u>5,150</u>	<u>2,882,320</u>
Total Net Capital Assets	<u>\$ 2,990,767</u>	<u>\$ (98,093)</u>	<u>\$ (5,150)</u>	<u>\$ 2,887,524</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CAPITAL ASSETS (continued):

Capital assets activity for the City's Component Unit for the year was as follows:

	Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Balance <u>June 30</u>
Component Unit				
Capital assets not being depreciated				
Land	\$ 179,962	4,103	0	184,065
Construction in progress	0	0	0	0
Capital assets being depreciated				
Buildings and improvements	768,153	0	0	768,153
Equipment	33,395	0	0	33,395
Less accumulated depreciation	<u>(40,701)</u>	<u>(20,801)</u>	<u>0</u>	<u>(61,502)</u>
Net capital assets being depreciated	<u>760,847</u>	<u>(20,801)</u>	<u>0</u>	<u>740,046</u>
Total net capital assets	<u>\$ 940,809</u>	<u>\$ (16,698)</u>	<u>\$ 0</u>	<u>\$ 924,111</u>

Depreciation expense was charged to programs of the primary Government and Component Unit as follows:

Governmental Activities:	
General government	\$ 6,243
Public safety	31,573
Public works	9,350
Streets and highways	26,064
Recreation and culture	2,149
Total depreciation expense	<u>\$ 75,379</u>
Business-Type Activities:	
Water	\$ 81,011
Sewer	51,054
Total depreciation expense	<u>\$ 132,065</u>
Component Unit:	
TIFA	<u>\$ 20,801</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. INTERFUND BALANCES AND TRANSFERS:

The composition of interfund receivable and payable balances at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Street	Local Street	\$ 155
Water Fund	General Fund	18,277
General Fund	Tax Fund	99
General Fund	Fire Replacement	40,000
TIFA	Major Street	25,000
General Fund	Local	<u>2,237</u>
Total		<u>\$ 85,768</u>

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A: LEGAL COMPLIANCE:

Act 217, PA 1982, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loans associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money.

All City deposits were in compliance with state statutes.

B: DEPOSITS:

Deposits are carried at cost. Deposits of the City are maintained at National City Bank and Citizens Bank, federally insured banks.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued):

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the City's cash deposit at June 30, 2008 are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 300,000
Uninsured and Uncollateralized	<u>820,180</u>
Total	<u>\$ 1,120,180</u>

NOTE 7. RISK MANAGEMENT:

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation. The City manages its liability and property risk by participating in the Michigan Municipal League. This insurance provider is a public entity risk pool providing coverage to its members. The City pays an annual premium to this provider, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS:

The City has a defined contribution pension plan, covering all employees who worked at least 1,000 hours in the previous fiscal year, are between the age of 21 and 64 and are employed with the City for more than six months. The City's pension contributions were \$14,503 for the year. The City's policy is to contribute five (5) percent of the annual salaries of covered employees. The plan provides for employees vesting at 20% per year with full vesting after five (5) years. The City has no post-employment benefit plans at this time other than the defined contribution retirement plan.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 9. RELATED PARTY TRANSACTIONS:

The City has various transactions with the Northwest Utilities Authority of which the City is a part owner. In this connection:

1. The City's share of the sewage treatment and capital improvements expenses for the year was \$115,809, which is included in the Sanitary Sewer Fund's operating expenses.
2. The City charged the Northwest Utilities Authority for administrative and accounting services of \$19,250 for the year.
3. A separate audit financial statement report has been issued for the Northwest Utilities Authority for the year.

NOTE 10. COMMITMENTS AND CONTINGENCIES:

Joint Venture

On August 3, 1987, the City of Zilwaukee and Townships of Carrollton, Saginaw, and Kochville created the Northwest Utilities Authority. The purpose of the Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system in accordance with State Act 233, PA 1955. The Authority consists of a five person governing body – one appointed from each municipality, and one person selected at-large.

On May 18, 1990, Under *Act 185 of the Michigan Public Acts of 1957*, the City of Zilwaukee and Townships of Carrollton, Saginaw, and Kochville and the Northwest Utilities Authority entered into a contract with the County of Saginaw to obtain financing for a joint sewage transmission system.

As a separate unit the Authority operates on a cost reimbursement basis. Costs are prorated monthly among the City and Townships based on metered usage. The City's allocation is approximately 9%.

Each of the Authority's participants has a contingent liability resulting from its secondary full-faith and credit pledge supporting the Saginaw County Bond Issue dated August 1, 1990, in the principal amount of \$3,300,000. This bond issue was subsequently refinanced with the 1997 Sewer Improvement and Refunding Bond Issue dated December 1, 1997.

CITY OF ZILWAUKEE
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10. COMMITMENTS AND CONTINGENCIES (continued):

The annual debt service is allocated to the various participating units. This allocation is based on the aggregate sewage flows from participating units during the three calendar years.

The Northwest Utility Authority is audited separately from the City. The audit report can be obtained from the City of Zilwaukee city manager.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 375,724.00	\$ 375,724.00	\$ 379,875.73	\$ 4,151.73
Licenses and permits	33,000.00	33,000.00	31,306.75	(1,693.25)
State revenue sharing	193,892.00	193,892.00	189,034.63	(4,857.37)
Contributions from other units	37,982.00	37,982.00	43,322.67	5,340.67
Fines and fees	2,500.00	2,500.00	4,598.47	2,098.47
Charges for services	10,625.00	24,525.00	21,263.95	(3,261.05)
Interest	10,575.00	10,575.00	12,937.24	2,362.24
Rental	29,800.00	51,000.00	42,185.91	(8,814.09)
Other Revenue	51,405.00	16,305.00	10,124.27	(6,180.73)
Total Revenues	745,503.00	745,503.00	734,649.62	(10,853.38)
EXPENDITURES:				
General Government				
Legislative - Council	8,470.00	8,470.00	7,174.21	1,295.79
Administration	47,355.00	47,355.00	43,042.87	4,312.13
Clerk & Election	7,055.00	10,600.00	10,563.63	36.37
Assessor	12,935.00	13,376.00	12,502.57	873.43
Attorney	4,500.00	8,500.00	6,616.10	1,883.90
Board of Review	420.00	1,100.00	1,087.95	12.05
Treasurer	63,260.00	60,260.00	46,433.60	13,826.40
Accounting & Auditing	5,500.00	5,500.00	5,500.00	0.00
City Hall	26,631.00	26,631.00	23,634.38	2,996.62
Employee Benefits	127,950.00	127,950.00	113,173.33	14,776.67
Other	51,052.00	35,052.00	28,146.00	6,906.00
Public Safety				
Fire	62,387.00	72,837.00	72,595.87	241.13
Police	100,625.00	100,625.00	89,551.78	11,073.22
Inspector	11,975.00	11,975.00	10,747.31	1,227.69
Public Works				
Drains	88,300.00	88,300.00	21,775.52	66,524.48
Sidewalks	11,000.00	11,000.00	10,574.88	425.12
Street lighting	25,700.00	25,700.00	22,493.83	3,206.17
Department of Public works	134,887.00	134,887.00	116,677.97	18,209.03
Community and Economic Development				
Planning and Zoning	22,000.00	22,000.00	18,596.29	3,403.71
Cultural and Recreation				
Parks & Pool	45,894.00	45,894.00	33,728.21	12,165.79
Capital Outlay	50,175.00	50,175.00	45,223.16	4,951.84
Total Expenditures	908,071.00	908,187.00	739,839.46	168,347.54
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	0.00	0.00	0.00	0.00
Transfer to other funds	(3,500.00)	(3,500.00)	(3,393.77)	106.23
Net Other Financing Sources (Uses)	(3,500.00)	(3,500.00)	(3,393.77)	106.23
NET CHANGE IN FUND BALANCE	(166,068.00)	(166,184.00)	(8,583.61)	157,600.39
FUND BALANCE - BEGINNING OF YEAR	443,124.04	443,124.04	443,124.04	0.00
FUND BALANCE - END OF YEAR	\$ 277,056.04	\$ 276,940.04	\$ 434,540.43	157,600.39

CITY OF ZILWAUKEE
Saginaw County, Michigan

MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
State Grants	\$ 94,000.00	\$ 100,933.00	\$ 96,844.43	\$ (4,088.57)
Federal grant	0.00	391,042.00	261,988.76	(129,053.24)
Interest and rentals	12,000.00	12,000.00	14,099.03	2,099.03
Total Revenues	106,000.00	503,975.00	372,932.22	(131,042.78)
EXPENDITURES:				
Public Works				
Routine maintenance	20,000.00	10,000.00	7,087.33	2,912.67
Signals and signs	2,500.00	3,200.00	2,383.31	816.69
Winter maintenance	10,500.00	18,000.00	16,172.45	1,827.55
Equipment rental	4,200.00	4,200.00	0.00	4,200.00
Capital Outlay	109,500.00	402,000.00	368,902.80	33,097.20
Other	8,000.00	8,000.00	8,000.00	0.00
Total Expenditures	154,700.00	445,400.00	402,545.89	42,854.11
EXCESS REVENUES OVER EXPENDITURES	(48,700.00)	58,575.00	(29,613.67)	(88,188.67)
OTHER FINANCING SOURCES (USES)				
Transfer from TIFA Fund	0.00	12,500.00	12,500.00	0.00
Transfer to Local Street	(50,000.00)	(50,000.00)	(48,422.21)	1,577.79
Total Other Financing Sources	(50,000.00)	(37,500.00)	(35,922.21)	1,577.79
Excess (deficiency) of revenues over expenditures and other uses	(98,700.00)	21,075.00	(65,535.88)	(86,610.88)
FUND BALANCE - BEGINNING OF YEAR	435,203.58	435,203.58	435,203.58	0.00
FUND BALANCE - END OF YEAR	\$ 336,503.58	\$ 456,278.58	\$ 369,667.70	\$ (86,610.88)

CITY OF ZILWAUKEE
Saginaw County, Michigan

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
State Grants	\$ 33,282.00	\$ 34,824.00	\$ 33,423.22	\$ (1,400.78)
Special assessments	4,869.00	3,261.00	5,004.94	1,743.94
Other state grant	15,000.00	15,000.00	15,000.00	0.00
Interest and rentals	200.00	200.00	326.65	126.65
Total Revenues	53,351.00	53,285.00	53,754.81	469.81
EXPENDITURES:				
Public Works				
Routine maintenance	28,590.00	31,000.00	30,430.86	569.14
Snow removal	12,000.00	16,444.00	13,428.65	3,015.35
Traffic signals	1,000.00	1,000.00	850.73	149.27
Capital outlay	15,000.00	25,000.00	14,944.00	10,056.00
Other	8,000.00	3,100.00	3,030.00	70.00
Total Expenditures	64,590.00	76,544.00	62,684.24	13,859.76
EXCESS REVENUES OVER EXPENDITURES	(11,239.00)	(23,259.00)	(8,929.43)	(14,329.57)
OTHER FINANCING SOURCES (USES)				
Transfer from TIFA	0.00	12,500.00	12,500.00	0.00
Transfer from Major street	78,831.00	48,482.00	48,422.21	59.79
Total other source (uses)	78,831.00	60,982.00	60,922.21	59.79
Excess (deficiency) of revenues over expenditures and other uses	67,592.00	37,723.00	51,992.78	(14,269.78)
FUND BALANCE - BEGINNING OF YEAR	13,646.00	13,646.00	13,646.31	(0.31)
FUND BALANCE - END OF YEAR	\$ 81,238.00	\$ 51,369.00	\$ 65,639.09	\$ (14,270.09)

OTHER ADDITIONAL INFORMATION

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2008

REVENUES:

Taxes -

Property tax -operating	\$ 316,978.23
Property tax - pool	33,045.11
Penalties and interest	8,425.08
Administration fees	<u>21,427.31</u>

Total taxes 379,875.73

State and Local Grants -

State revenue sharing	181,830.07
Metro Act	6,155.66
Police	500.00
Liquor license fees	<u>548.90</u>

Total state and local grants 189,034.63

Contributions from other units-

Fire protection fees	9,006.04
TIFA - Admin fees	21,000.00
Northwest Utility - Admin fees	<u>13,316.63</u>

Total other unit contributions 43,322.67

Licenses and permits

Building and inspections	11,083.52
Cable franchise fees	20,213.23
Marriage	10.00
Zoning	<u> </u>

Total licenses and permits 31,306.75

Fines and penalties

4,598.47

Charges for services

Park rental	
Administrative services	16,800.00
Police/fire reports	34.00
Other charges	163.00
Pool and concessions	4,126.95
Weed Cutting	<u>140.00</u>

Total Charges for Services 21,263.95

Interest and Rentals -

Interest	12,937.24
Rents	6,680.00
Equipment rental	<u>35,505.91</u>

Total Interest and Rentals 55,123.15

Miscellaneous

10,124.27

Total Revenues 734,649.62

EXPENDITURES 743,233.23

NET CHANGE IN FUND BALANCE (8,583.61)

FUND BALANCE - July 1, 2007 443,124.04

FUND BALANCE - June 30, 2008 \$ 434,540.43

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES
Year Ended June 30, 2008

EXPENDITURES:

LEGISLATIVE:

Mayor and City Council	
Salaries	\$ 4,400.00
Fringes and taxes	0.00
Newsletter	155.14
Membership dues	1,471.00
Supplies and other	<u>1,148.07</u>
Total Legislative	7,174.21

GENERAL GOVERNMENT:

City Manager	
Wages	42,171.65
Fringes and taxes	0.00
Legal	536.22
Mileage and other	<u>335.00</u>
Total Manager	43,042.87

Clerk	
Wages	4,475.83
Supplies and other	1,300.73
Printing and publication	<u>832.91</u>
Total Clerk	6,609.47

Accounting-	
Audit	5,500.00
Consulting fees	<u></u>
Total Accounting	5,500.00

Assessor-	
Wages	8,964.00
County tax roll service	1,018.80
Printing and other costs	<u>2,519.77</u>
Total Assessor	12,502.57

Attorney-	
Contracted services	6,616.10

Elections	
Salaries	1,716.68
Supplies and other costs	<u>2,237.48</u>
Total Elections	3,954.16

Board of Review-	
Fees	286.00
Other costs	<u>801.95</u>
Total board of review	1,087.95

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2008

EXPENDITURES (CONT.):
GENERAL GOVERNMENT (CONT.):

Treasurer-	
Salaries	\$ 37,529.09
Fringes and taxes	0.00
Office supplies	4,663.27
Meetings	608.29
Supplies and other	<u>3,632.95</u>
Total Treasurer	46,433.60
City Hall and Grounds-	
Contractual services	3,113.55
Miscellaneous	0.00
Supplies	275.36
Office	423.00
Cleaning	3,051.30
Insurance	0.00
Utilities	9,049.99
Repairs and maintenance	3,294.48
Telephone	3,759.05
Other costs	<u>667.65</u>
Total City Hall	<u>23,634.38</u>
Total General Government	156,555.31

PUBLIC SAFETY:

Fire Department-	
Salaries	31,193.42
Hydrant rental	15,350.00
Supplies	987.49
Contracted services	510.00
Communications	1,609.56
Insurance	500.00
Education and training	1,559.69
Gas and oil	2,642.92
Utilities	5,419.46
Vehicle maintenance	3,860.92
Volunteer dept	3,393.77
Maintenance and repairs	4,812.78
Other	<u>755.86</u>
Total Fire Department	72,595.87

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2008

EXPENDITURES (CONT.):
PUBLIC SAFETY (CONT.)

Police-	
Salaries	\$ 71,974.32
Fringes and taxes	0.00
Office	17.45
Gas and oil	4,900.75
Dues and memberships	250.00
Supplies	272.40
Uniforms	1,131.82
Legal	2,074.50
Telephone	516.62
Training	997.52
Contractual services	3,161.00
Vehicle maint.	3,066.22
Other	1,189.18
	<hr/>
Total Police	89,551.78
Building Inspection Department	
Supplies	241.18
Contracted services	10,506.13
Dues and memberships	0.00
Education and training	0.00
	<hr/>
Total Building Inspection Department	10,747.31
Total Public Safety	172,894.96

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning and Zoning-	
Contracted services and supplies	18,596.29

PUBLIC WORKS

Department of Public Works-	
Salaries	52,385.74
Supplies	1,461.27
Uniforms	444.43
Misc	0.00
Gas and oil	8,834.33
Grounds maintenance	5,170.66
Refuse	1,712.92
Telephone	2,811.79
Utilities	14,557.61
Vehicle maintenance	4,957.35
Building maintenance	19,894.12
Other maintenance	4,010.57
Other	437.18
	<hr/>
Total DPW	116,677.97

CITY OF ZILWAUKEE
Saginaw County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2008

EXPENDITURES (CONT.):
PUBLIC WORKS (CONT.)

Drains-	
Contracted services and supplies	7,860.32
Repairs and maintenance	13,915.20
	<hr/>
Total Drains	21,775.52
 Sidewalks	 10,574.88
 Street lighting	 22,493.83
	<hr/>
Total Public Works	171,522.20

RECREATION AND CULTURAL:

Parks and Recreation-	
Wages	18,518.89
Fringes and taxes	1,423.51
Utilities	6,940.30
Repairs and maintenance	2,885.32
Concessions	1,122.77
Supplies and other	2,837.42
	<hr/>
Total Recreation and Cultural	33,728.21

OTHER:

Insurance and bonds	28,146.00
Employee benefits	78,006.48
Employer's share of retirement	14,454.51
Employer's share of FICA	20,712.34
	<hr/>
Total Other	141,319.33

CAPITAL OUTLAY:

General government	22,468.50
Public safety	1,079.66
Public works	21,675.00
	<hr/>
Total Capital Outlay	45,223.16

OTHER FINANCING USES:

Transfer to other funds	3,393.77
	<hr/>

Total Expenditures and Other Financing Uses	\$ <u><u>743,233.23</u></u>
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CITY OF ZILWAUKEE
Saginaw County, Michigan

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	<u>Special Revenue Funds</u>		
	<u>Fire Replacement Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Certificate of Deposit	\$ 153,364.75	\$ 10,619.56	\$ 163,984.31
Due from other funds	0.00	0.00	0.00
Taxes receivable	36.00	8.99	44.99
Total Assets	<u>153,400.75</u>	<u>10,628.55</u>	<u>164,029.30</u>
<u>LIABILITIES:</u>			
Liabilities:			
Accounts Payable	38.20	1,175.00	1,213.20
Due to TIFA	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>
Total Liabilities	40,038.20	1,175.00	41,213.20
<u>FUND BALANCES:</u>			
Reserved for prepaid expenditures	0.00	0.00	0.00
Unreserved special revenue funds	<u>113,362.55</u>	<u>9,453.55</u>	<u>122,816.10</u>
Total Fund Balances	<u>113,362.55</u>	<u>9,453.55</u>	<u>122,816.10</u>
Total Liabilities and Fund Balances	\$ <u>153,400.75</u>	\$ <u>10,628.55</u>	\$ <u>164,029.30</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

NONMAJOR GOVERNMENT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2008

	Special Revenue Funds		Total Nonmajor Government Funds
	Fire Replacement Fund	Recreation Fund	
REVENUES:			
Property taxes	\$ 32,869.88	\$ 8,261.18	\$ 41,131.06
State revenue sharing	1,137.58	471.92	1,609.50
Contributions from other units	0.00	0.00	0.00
Charges for services	1,620.94	0.00	1,620.94
Interest	6,313.31	24.76	6,338.07
Rental	0.00	0.00	0.00
Other Revenue	0.00	2,519.64	2,519.64
Total Revenues	41,941.71	11,277.50	53,219.21
EXPENDITURES:			
Public safety	8,697.57	0.00	8,697.57
Public works	0.00	0.00	0.00
Community and economic development	0.00	0.00	0.00
Recreation and culture	0.00	7,273.37	7,273.37
Capital outlay	2,992.35	0.00	2,992.35
Debt service:			
Principal	0.00	0.00	0.00
Interest	0.00	0.00	0.00
Total Expenditures	11,689.92	7,273.37	18,963.29
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	3,393.77	0.00	3,393.77
Transfer to other funds	0.00	0.00	0.00
Net Other Financing Sources (Uses)	3,393.77	0.00	3,393.77
NET CHANGE IN FUND BALANCE	33,645.56	4,004.13	37,649.69
FUND BALANCE - BEGINNING OF YEAR	79,716.99	5,449.42	85,166.41
FUND BALANCE - END OF YEAR	\$ 113,362.55	\$ 9,453.55	\$ 122,816.10

CITY OF ZILWAUKEE
Saginaw County, Michigan

FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
PAYROLL WITHHOLDING FUND				
Assets:				
Cash	\$ 31,482.23	\$ 401,123.85	\$ 400,863.49	\$ 31,742.59
Total Assets	<u>31,482.23</u>	<u>401,123.85</u>	<u>400,863.49</u>	<u>31,742.59</u>
Liabilities:				
Withholding taxes payable	2,282.23	401,123.85	403,406.08	0.00
Advance payable to other funds	<u>29,200.00</u>	<u>2,542.59</u>	<u>0.00</u>	<u>31,742.59</u>
Total Liabilities	<u>\$ 31,482.23</u>	<u>\$ 403,666.44</u>	<u>\$ 403,406.08</u>	<u>\$ 31,742.59</u>
TAX FUND				
Assets:				
Cash	\$ 5,024.23	\$ 2,027,296.60	\$ 2,027,351.51	\$ 4,969.32
Total Assets	<u>5,024.23</u>	<u>2,027,296.60</u>	<u>2,027,351.51</u>	<u>4,969.32</u>
Liabilities:				
Due to other funds	(30.68)	391,154.40	391,024.79	98.93
Due to component unit	0.00	352,196.55	352,196.55	0.00
Advance payable to other funds	5,000.00	0.00	0.00	5,000.00
Due to other governmental units	<u>0.00</u>	<u>1,372,508.29</u>	<u>1,372,508.29</u>	<u>0.00</u>
Total Liabilities	<u>\$ 4,969.32</u>	<u>\$ 2,115,859.24</u>	<u>\$ 2,115,729.63</u>	<u>\$ 5,098.93</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash	\$ 36,506.46	2,428,420.45	\$ 2,428,215.00	\$ 36,711.91
Total Assets	<u>36,506.46</u>	<u>2,428,420.45</u>	<u>2,428,215.00</u>	<u>36,711.91</u>
Liabilities:				
Accounts payable and accrued expenses	2,282.23	401,123.85	403,406.08	0.00
Advance payable to other funds	34,200.00	2,542.59	0.00	36,742.59
Due to other funds	(30.68)	391,154.40	391,024.79	98.93
Due to other governmental units	<u>0.00</u>	<u>1,372,508.29</u>	<u>1,372,508.29</u>	<u>0.00</u>
Total Liabilities	<u>\$ 36,451.55</u>	<u>\$ 2,167,329.13</u>	<u>\$ 2,166,939.16</u>	<u>\$ 36,841.52</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT
TIFA Fund
SCHEDULE OF INDEBTEDNESS
June 30, 2008

TYPE OF ISSUE: General Obligation Bond
2004 Tax increment Bonds
INTEREST RATE: 4.2%
TOTAL AUTHORIZED ISSUE: 600,000

Fiscal Year	April 1		October 1		Total
	Principal	Interest	Interest	Only	
2008	\$ -	\$ -	9,450		9,450
2009	75,000	7,875	7,875		90,750
2010	75,000	6,300	6,300		87,600
2011	75,000	4,725	4,725		84,450
2012	75,000	3,150	3,150		81,300
2013	75,000	1,575	1,575		78,150
	\$ <u>375,000</u>	\$ <u>23,625</u>	\$ <u>33,075</u>	\$	<u>431,700</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

1991 WATER SUPPLY SYSTEM BOND
WATER FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2008

TYPE OF ISSUE: Revenue Bonds
PURPOSE OF ISSUE: Water Supply System
INTEREST RATE: 7.05 to 7.2%
ORIGINAL ISSUE: 525,000

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
9/1/2008	\$ 40,000	\$ 7,910	\$ 47,910
9/1/2009	45,000	4,860	49,860
9/1/2010	45,000	1,620	46,620
	\$ <u>130,000</u>	\$ <u>14,390</u>	\$ <u>144,390</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

1990 NORTHWEST UTILITIES PROJECT BONDS
SEWER FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2008

TYPE OF ISSUE: Revenue Bonds
PURPOSE OF ISSUE: Sewer System Improvements
INTEREST RATE: 5.5%
ORIGINAL ISSUE: 307,890

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
5/1/2009	\$ 27,990	\$ 3,207	\$ 31,197
5/1/2010	<u>23,709</u>	<u>1,716</u>	<u>25,425</u>
	\$ <u>51,699</u>	\$ <u>4,923</u>	\$ <u>56,622</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT
TIFA FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2008

TYPE OF ISSUE: Strategic Loan -1991 Water Supply System Bond
PURPOSE OF ISSUE:
INTEREST RATE: 0.0%
ORIGINAL ISSUE: 369,326

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
9/1/2008	\$ 9,233.15	\$ 0	9,233.15
12/1/2008	9,233.15	0	9,233.15
3/1/2009	9,233.15	0	9,233.15
6/1/2009	9,233.15	0	9,233.15
9/1/2009	9,233.15	0	9,233.15
12/1/2009	9,233.15	0	9,233.15
3/1/2010	9,233.15	0	9,233.15
6/1/2010	9,233.15	0	9,233.15
9/1/2010	9,233.15	0	9,233.15
12/1/2010	9,233.15	0	9,233.15
3/1/2011	9,233.15	0	9,233.15
6/1/2011	9,233.15	0	9,233.15
9/1/2011	9,233.15	0	9,233.15
12/1/2011	9,233.15	0	9,233.15
3/1/2012	9,233.15	0	9,233.15
6/1/2012	9,233.15	0	9,233.15
9/1/2012	9,233.15	0	9,233.15
12/1/2012	9,233.15	0	9,233.15
3/1/2013	9,233.15	0	9,233.15
6/1/2013	9,233.15	0	9,233.15
9/1/2013	9,233.15	0	9,233.15
12/1/2013	9,233.15	0	9,233.15
3/1/2014	9,233.15	0	9,233.15
6/1/2014	9,233.15	0	9,233.15
9/1/2014	9,233.15	0	9,233.15
12/1/2014	9,233.15	0	9,233.15
3/1/2015	9,233.15	0	9,233.15
6/1/2015	9,233.15	0	9,233.15
9/1/2015	9,233.15	0	9,233.15
12/1/2015	9,233.15	0	9,233.15
3/1/2016	9,233.15	0	9,233.15
6/1/2016	9,233.15	0	9,233.15
	<u>\$ 295,460.80</u>	<u>\$ 0</u>	<u>\$ 295,460.80</u>

CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT - TIFA
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2008

FUND BALANCES ON BALANCE SHEET \$ 483,149.98

Amounts reported for governmental activities in the Statement
of Net Assets are different because -

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the Governmental Funds
Balance Sheet:

Capital assets at cost	985,611.96
Accumulated depreciation	(61,501.54)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds notes payable	(670,460.80)
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TOTAL NET ASSETS - COMPONENT UNIT	\$ <u>736,799.60</u>
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CITY OF ZILWAUKEE
Saginaw County, Michigan

COMPONENT UNIT - TIFA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

NET CHANGE IN FUND BALANCE	\$	157,235.73
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Amounts reported for governmental activities in the Statement
of Activities are different because -

Governmental Funds report capital outlays as expenditures
while in the Statement of Activities, these costs are allocated
over their estimated lives as depreciation expense.

Depreciation expense	(20,800.63)
Capital asset purchases capitalized	4,103.06

Repayment of debt principal is an expenditure in the Governmental
Funds, the repayment does not have an effect in the Statement
of Activities but does reduce the debt balance in the Statement
of Net Assets.

Principal payments on long term debt	111,932.60
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CHANGE IN NET ASSETS - COMPONENT UNIT ACTIVITIES	\$	<u>252,470.76</u>
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Quast, Janke and Company, P.C.

Certified Public Accountants

1010 N. JOHNSON STREET
BAY CITY, MICHIGAN 48708

Phone: (989) 892-4549

Fax: (989) 892-4030

Timothy J. Quast, C.P.A.
Mark G. Janke, C.P.A.
Ned E. Kleinke, C.P.A.
David G. Gwizdala, C.P.A.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 24, 2008

To the City Council
The City of Zilwaukee
Saginaw County
Zilwaukee, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Zilwaukee as of and for the year ended June 30, 2008, which collectively comprise the City of Zilwaukee's basic financial statements and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Zilwaukee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Zilwaukee's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

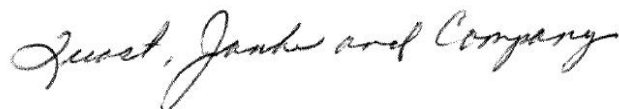
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Milwaukee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

QUAST, JANKE AND COMPANY

A handwritten signature in cursive script that reads "Quast, Janke and Company".

Certified Public Accountants, P.C.